

FISCAL NOTE

HB 1797 - SB 2003

March 20, 2007

SUMMARY OF BILL: Enacts the “Tennessee Agricultural Ethanol Production Act of 2007 (TAEPA)” as a three-year pilot-program to be implemented within the counties of the eastern grand division of the state that are designated as non-attainment areas by the U.S. Environmental Protection Agency (EPA). Creates an ethanol blended gasoline tax credit, to be used against Franchise tax obligations, equal to two and one-half cents (2.5¢) multiplied by the total number of gallons of ethanol blended gasoline sold and dispensed through computer-type pumps. Defines multiple terms as they apply to TAEPA. Defines eligibility criteria and limitations. Directs the Department of Revenue (DOR) to develop forms and promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – \$1,672,500 – FY07-08
\$3,345,000 – FY08-09
\$3,345,000 – FY09-10
\$1,672,500 – FY10-11

Increase State Expenditures - \$100,000 One-Time

Assumptions:

- According to the Department of Revenue (DOR), one producer of ethanol in Tennessee produces 60,000,000 gallons of ethanol each year.
- “Ethanol blended gasoline” means a mixture of 10% ethanol and 90% unleaded gasoline or a bio-diesel fuel.
- Adding 540.0 million gallons of unleaded gasoline (90%) to 60.0 million gallons of ethanol (10%) would provide a total of 600.0 million gallons of ethanol blended gasoline each year.
- Eleven (11) counties (Anderson, Blount, Cocke, Jefferson, Knox, Loudon, Sevier, Hawkins, Sullivan, Hamilton, and Meigs) in the eastern grand division of the state are identified as non-attainment areas by the EPA and would qualify for the three-year pilot program proposed in this legislation.

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- Ethanol blended gasoline is distributed to each of the 95 counties based on county populations.
- Based on 2005 data from the U.S. Census Bureau, the total population of the eleven (11) counties identified was estimated to be 1,330,433; Tennessee's total population was estimated to be 5,962,959.
- 22.3% of Tennessee's population resides in the eleven (11) counties identified ($1,330,433 \div 5,962,959 = 22.3\%$).
- 22.3 (or 133,800,000 gallons) of ethanol blended gasoline produced is sold in the eleven counties identified.
- 100% of ethanol blended gasoline is sold and dispensed through computer-type pumps as required by this bill.
- The decrease to state revenues is estimated to be \$3,345,000 per year for three years ($133,800,000 \text{ gallons} \times \$0.025 \text{ franchise tax credit proposed} = \$3,345,000$).
- The increase to one-time state expenditures for software and computer enhancements and form development is estimated to be \$100,000.
- First and last year impacts are estimated at 50% of full-year impacts due to the January 1 effective date.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director